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## Absenteeism Management

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### ABSTRACT

The 1995 Ship Production Symposium theme of "COMPETITIVENESS" is very timely. Competitive forces for new shipbuilding work are fierce. Any factor affecting competitive advantage which is not pursued and wrestled into submission may be the one that causes a company to be defeated in the battle for survival.

The factor which this paper will focus on is Absenteeism Management. The severity of the absenteeism -problem for business in general is growing. In a tight market such as shipbuilding, absenteeism can be the difference that results in a company being unable to compete. Those who do not know the degree to which absenteeism **affects** business should pay close attention.

### INTRODUCTION

Absence incidence rates published by the Organization for Economic Cooperation and Development (OECD) indicate that employee absence is 5.9% of total employment for the average Canadian company, 5.1 % for the average U.S. firm. Absenteeism in shipbuilding, as with most manufacturing and construction operations, is generally well above this average.

At first glance, an absenteeism rate of 5.1 % might not seem significant. However, if these figures are translated into bottom line

rests the significance of the problem begins to come to light. Assume that absenteeism at a shipyard is comparable to the national average of 5.1% and that a typical shipyard worker earns about \$40,000 per year. Under these conditions the average direct cost of absenteeism is over \$2,000 per worker.

When indirect costs such as replacement workers, additional employee benefits, lost productivity and other factors are included, this figure doubles to over \$4,000 per worker. When the first \$4,000 of profit from every worker is taken away from overall profit and added to overhead, one can only hope the competition has the same problem.

Absenteeism is any absence that is unplanned, unscheduled and related to **any** of these three main components:

- Workers' Compensation
- Insurable Sickness      Weekly Indemnity; and
- other components - which includes absence due to dentist and doctor appointments, personal business, tardiness, leaving early and a variety of other explanations which result in a worker not being at work when required.

. When an employee is not at work, their effort must either be made up by an additional employee or their work remains undone. Sometimes the effect is compounded

if an employee is key to a particular operation (such as a crane operator) and several people are standing around waiting for a replacement to arrive.

Each component of absenteeism must be managed in its own unique way, yet “the overall approach must be consistent. How can this be accomplished? How does a company walk the tightrope between - on the one hand, assisting employees to overcome their problems and return to work followed by accommodating employees to help them stay at work - and on the other hand dismissing employees who continue to have an attendance problem? Such things can and must be done to remain competitive.

This paper discusses experiences at Saint John Shipbuilding Limited in overcoming attendance problems and reducing overhead costs through Absenteeism Management. The methods used to get absenteeism under control are universal and can succeed in any other yard.

## BACKGROUND

First, some background is warranted to gain an appreciation of the scope of the employee absenteeism problem as it existed before management decided to manage.

In 1990 the multi billion dollar Canadian Patrol Frigate contract was running behind schedule and over budget. Since this was the largest contract award in Canadian history, the situation commanded much attention from the media.

To recoup schedule delays it was determined that a workforce of 2200 hourly paid workers were required. Because over 300 workers, about 14% of the workforce, were absent on any given day a payroll of

2500+ workers was needed to maintain this level of work.

The magnitude of the problem demanded involvement at the highest levels of management. The attention given by senior management was well rewarded. For example, Absenteeism Management, in conjunction with injury prevention and claims management initiatives, has reduced annual Workers' Compensation assessments to less than half of what it was two years ago. The rate is still declining.

## A NEW PROGRAM

To tackle the problem, senior management formed an Absenteeism Management Committee with full authority to research, develop and implement a program to bring absenteeism under management control. The committee did a great deal of research on existing attendance programs, . statutory regulations, jurisprudence, etc.

In researching absenteeism programs, the committee found that there were several fundamental elements required for a successful program as detailed below.

### Senior Management Commitment

Since senior management had come to realize the excessive cost of absenteeism, they were very supportive of the required initiatives.

### Good Measurement System

The existing time card system was reasonable and gave sufficient information to start analyzing and managing attendance. However, to progress to involvement at the shop floor level, a computerized Time and

Attendance System was installed. Employees began scanning, using bar coded I.D. badges whenever they started or finished a job. Data from these scans was made readily available to supervisors at computer stations near the worksite.

### Standardized, Non-Disciplinary System

The process was implemented throughout the company based on the concept of innocent, rather than culpable, absenteeism. An employee's absence was assumed to be legitimate and without fault.

### Positive, Concerned Approach Emphasizing the Importance of Being at Work

Management delivered a clear message that the business could not operate efficiently and could not effectively compete for new contracts unless all of its employees were at work being productive. The company's commitment to help employees overcome obstacles and return to work was unequivocal.

### Attendance Management Manual

This manual was developed by the committee and issued to each supervisor and manager. The manual contains sections on the purpose of the program, basic principles, responsibilities, process charts with guidelines for attendance reviews and interviews, standard attendance management letters and the rules of employment.

### Supervisor and Manager Training

The Attendance Management Manual was the basis for absenteeism management training sessions. Feedback from the training

and initial implementation was analyzed by the committee. As a result the text of the manual was revised to be more effective.

### Front Line Responsibility

After training, supervisors and managers were held responsible for managing the attendance of their crews. Management at all levels made it clear that whenever a new member was transferred to the crew, or whenever a member of the crew was absent, the supervisor was to check the attendance record.

### Union Interface

Although union involvement was not part of the process outlined in the Attendance Management Manual, management believed the process would be more effective if the unions were involved. Often, the initial counselling by the union was sufficient to improve an attendance problem.

### Documented Attendance Interviews

If attendance problems persisted, the process required a formal meeting between the supervisor, the employee and a union representative. After a discussion of the issue, attendance concerns were documented in a standardized letter to the employee. Communication between management, employees and unions was encouraged by this interview process. The interview process and documentation are described in greater detail later in the paper.

## Continuing Guidance

The management committee remained in effect to provide continuing guidance and ensure consistency. Grievances and arbitration awards were reviewed for potential impact to the program. Actions of supervisors and managers were reviewed and discussed. As necessary, the committee met with those who were having difficulty. Although each situation was handled on its own merits, a consistent approach was assured, lending credibility to the process.

## Claims Management

Workers' Compensation and Weekly Indemnity claims were actively managed. Rather than waiting for the 'system' to return workers in good health, the company started to assist employees in overcoming problems with whatever was preventing them from returning to work.

## Modified / Light Duty Program for Reasonable Accommodation

Employees who previously would have had to stay home were provided with an opportunity to return to work at less than full capacity and gradually increase to full capability.

## Employee Assistance Referral Network

The company's efforts at accommodation and attendance management often flushed out personal problems which affected an employee's work habits. These were immediately referred to a confidential assistance service outside the company.

## IMPLEMENTATION AND PROGRESS

Once the program was in place and operating, attendance thresholds were gradually tightened. In 1990, 58% of employees had in excess of 5 % absenteeism. Today, less than 30% of employees have in excess of 5% absenteeism. Overall, absenteeism has been reduced to about 50% of what it was in 1990 and is still declining.

The relatively minor investment of management time and effort has been well rewarded. With fewer employees absent, the overall workforce has decreased without allowing any schedule slippage. While such a direct result is easy to see, many advantages of Absenteeism Management can be seen but not readily measured..

For example, the morale of many workers has increased because the company has communicated the value of their attendance at work. These workers are generally more productive as a result. Also, attendance problems are usually the result, not the cause, of an employee's problem. Once the problem is brought to the surface and resolved the employee is not only at work more often but is more productive while at work.

## MANAGEMENT PROCESS

The process developed by the Management Committee and described in the Attendance Management Manual is simple, flexible and relatively easy to administer. With an effective measurement system in place, absence data can be analyzed and acted upon. Problems can be identified by looking for three basic trends:



- patterns of absence (mondays, fridays, fishing season, etc.),
- excessive incidents, and
- excessive % absence.

When an employee is identified as having an attendance problem, a series of notifications follow. If the employee's attendance improves at any stage of the process, progression to the next step may not be necessary. The usual stages of notification are listed below.

#### Step 1- Initial Notification

The union and the employee are notified that the company has a concern regarding the employee's ability to come to work on a consistent basis.

#### Step 2- First Interview and Letter

The employee is interviewed by the supervisor and, if appropriate, the first attendance letter is issued. The first letter contains a factual account of the employee's absenteeism over a given period of time, indicates the company's concern regarding the employee's unsatisfactory attendance at work, offers assistance to help the employee overcome his or her attendance problem and clearly indicates the company's expectation that the employee come to work on a consistent basis.

#### Step 3- Second Interview and Letter

The employee is interviewed later and, if appropriate, the second attendance letter is issued. The second letter reminds the

employee of the previous interview, indicates that the attendance record has not sufficiently improved (or has deteriorated), reinforces that the employee is failing to meet a basic job requirement by not being at work regularly, notifies the employee that a non-disciplinary termination of their employment may result if their attendance record does not improve, and again offers the company's assistance to help overcome the attendance problem.

#### Step 4- Administrative Termination

A letter of termination of employment is issued to the employee due to the employee's inability to attend work on a regular basis. This letter also refers to the previous opportunities the employee was given to improve his or her attendance.

#### Program Flexibility

Some of the above steps may be repeated based on individual circumstances (ie an employee's attendance improves for a time and later worsens). The majority of attendance problems are documented using standard form letters which are part of the Attendance Management Manual. However, the program is flexible enough to deal with unique or difficult cases without compromising the integrity of the process. Such cases are usually referred to the Personnel Department for action.

### SUCCESS VERSUS PITFALLS

**The** essential element for success in managing absenteeism is the company's genuine, consistent effort to help employees overcome their absenteeism problems. The success of the program is not measured only

in the number of dismissals produced because such an approach would fail.

If evidence exists that Absenteeism Management has been used to dismiss an employee without sufficient effort to help, the dismissal will have great difficulty holding up in arbitration and will result in the company spending a great deal of needless time and money in the courts. Besides, if the employee who used to be missing from work a great deal is now insistent on the job and being productive, the company has indeed achieved the desired result. An employee who attends regularly but is not productive can also be managed, but that is a separate subject.

In some cases termination is the inevitable result of an effective Absenteeism Management process. Termination for innocent absenteeism is very difficult, with many pitfalls for an employer to avoid. The onus is always on the employer to justify the action. To ensure success, the following factors must be taken into account before proceeding with administrative termination.

- The record of absenteeism must be significantly in excess of the average of the workplace over an extended period of time.
- There must be a prognosis indicating that regular attendance in the foreseeable future is not expected. The employer can be expected to bear the onus of establishing the reasonableness of its prognosis.
- The employer must prove it has acted reasonably, without discrimination, and has treated the employee equitably.
- The employee must have been advised well in advance of termination that the company was detrimentally affected by the absences of the employee and that the employer emphasized the need for improvement.
- The employee has been clearly advised in writing that discharge could result.
- The employee has been afforded sufficient opportunity to improve attendance to an acceptable standard.
- A culminating incident has occurred where the employer has assessed the employee's attendance and considered the reasonable likelihood of regular future attendance.
- The employer must have taken into consideration the length of service as well as the prospects for rehabilitation.

## **CHARTING THE COURSE**

Such an abundance of pitfalls can make management of employee absenteeism seem like an overwhelming problem. Because it is such a complex issue, it is better to approach Absenteeism Management in stages.

Depending on the individual circumstances in different companies, some of the following stages may not be necessary. If a company is small, attendance problems can be dealt with by the personnel manager, rather than by a committee. Individual companies will have to decide what level of activity is best for them.

If appropriate, Absenteeism Management should start with a small, high calibre task team reporting regularly to senior

management. The team will gather the information needed to deal with the problem. First, the team should find out how extensive the absenteeism problem is in terms of days and dollars. This exercise will reveal the effectiveness, or ineffectiveness, of the measurement system and will assist in decisions regarding what level of resources should be applied to correct the problem.

Next, management must decide what level of absenteeism is acceptable. In the era of unending government contracts, all that was needed was to be as good as the competition down the coast. That is no longer an acceptable standard.

A company needs to be aware of the level of competition it faces and where that competition comes from. This applies not only to business the company is currently doing, but also to emerging markets that the company wishes to pursue. What level of absenteeism must the company achieve to be competitive in the desired marketplace? If absenteeism is higher at one company than another, more workers will be needed to get the same amount of work done. This manifests itself in higher bids or lower profits, neither of which will provide long term success.

After an acceptable target is found, determine why the absences are occurring. Analysis should include more than just the stated reason but should delve into underlying causes as well. Rather than safety or illness, the cause may be social, legislative, seasonal, or some other root cause.

Once the causes are determined and acceptable targets are established, the task team can be converted into a management committee with a mandate to develop an attendance management program, set intermediate goals, define action plans and

implement processes such as those described earlier.

## CONCLUSION

Employee absenteeism can be a monster that eats profits and drains employee morale. It is, however, a monster that can be brought under management control. The management system described in this, provides a valuable map which, if followed, will result in a more participative and competitive workforce.

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